

# **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**Financial and Compliance Reports**

**Year Ended June 30, 2018**



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ASSURANCE, TAX & ADVISORY SERVICES

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members  
Northern Virginia Transportation Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 28, 2018

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

## **NORTHERN VIRGINIA TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended on June 30, 2018. Please read it in conjunction with the accompanying financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Highlights for Government-wide Financial Statements**

The government-wide financial statements report information about the NVTC reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- NVTC's net position totaled \$160.7 million on a government-wide basis as of June 30, 2018. Of this total, \$160.3 million is for business-type activities with the balance for governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$183.0 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$61.5 million. Expenses amounted to \$49.4 million.

#### **Highlights for Fund Financial Statements**

The fund financial statements provide detailed information about NVTC's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- NVTC's governmental funds reported an increase in fund balance of \$55,779 for fiscal year 2018, compared to an increase of \$70,961 for fiscal year 2017. The governmental funds balance as of June 30, 2018 totaled \$594,475 compared with \$538,696 the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position increased by \$12.1 million, from \$148.2 million to \$160.3 million.
- NVTC's fiduciary fund reported a decrease of \$34.0 million in net position, held in trust for member jurisdictions, from \$178.5 million to \$144.5 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented include all of the activities which are part of the NVTC reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB).

The government-wide financial statements present the financial picture of NVTC's governmental and business-type activities from the economic resources measurement focus using the accrual basis of accounting. Excluded from these statements are the activities of the jurisdiction trust funds, which are considered fiduciary funds and, therefore, not part of the primary government.



The fund financial statements include a set of statements for each of the three categories of funds – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary fund and the fiduciary fund are prepared using the economic resources measurement focus and the accrual basis of accounting, same as the government-wide financial statements. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities and business-type activities shown separately. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The Statement of Activities shows in broad terms how the net position changed during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NVTC reporting entity is improving or declining. Net position is one way to measure financial position, but the reader should also consider other indicators, such as for the business-type activities, the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions and the age and condition of capital assets.

Revenue is classified as program or general revenues. Program revenues are further classified as charges for services, operating grants and contributions, and capital grants and contributions. Expenses are reported by functions and programs. Transfers between the governmental activities and business-type activities are reported under the general revenues section.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the NVTC reporting entity are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

NVTC maintains three governmental funds: the General Fund, the Special Revenue Fund – Jurisdiction Transit, and the Special Revenue Fund – I-66 Toll Revenue. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the administrative, planning and project activities of NVTC. The Special Revenue Fund – Jurisdiction Transit, reports the intergovernmental revenue received by NVTC and allocated to the member jurisdictions by a formula maintained by NVTC. Once the allocation is determined, the funds are remitted to the fiduciary fund. The Special Revenue Fund – I-66 Toll Revenue, reports Toll Revenue received from the Commonwealth of Virginia according to an agreement entered into between NVTC and the Commonwealth. The two statements included for the governmental funds are the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances.

**Proprietary Fund.** The proprietary fund is used to account for NVTC's share of the Virginia Railway Express (VRE) joint venture. The fund is used to account for the same functions reported as business-type activities in the government-wide financial statements. The three statements included for the proprietary fund are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

**Fiduciary Fund.** The Fiduciary Fund is used to account for resources held by NVTC for the benefit and restricted use of the programs of other governments. Additions to the fiduciary fund consist of revenue remitted from the Special Revenue Fund, state operating and capital assistance for transit contracted directly with the NVTC WMATA Compact member jurisdictions, and investment income. Deductions from the fiduciary fund are disbursements directed by the individual member jurisdictions for restricted purposes. The accounting methods used for the fiduciary fund are much like that used for proprietary funds. The two statements included for the fiduciary fund are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

### **Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Supplementary Information**

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

## **FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE**

### **Statement of Net Position**

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2018 and 2017:

#### **Summary Statements of Net Position June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets:</b>						
Current and other assets	\$ 23,776,764	\$ 15,833,253	\$ 45,703,550	\$ 39,281,881	\$ 69,480,314	\$ 55,115,134
Capital assets, net	31,767	39,846	176,399,441	173,102,673	176,431,208	173,142,519
Deferred outflows	-	-	455,136	-	455,136	-
Total assets	<u>23,808,531</u>	<u>15,873,099</u>	<u>222,558,127</u>	<u>212,384,554</u>	<u>246,366,658</u>	<u>228,257,653</u>
<b>Liabilities:</b>						
Current and other liabilities	23,229,298	15,432,944	6,761,999	7,019,704	29,991,297	22,452,648
Long-term liabilities	177,492	76,665	55,503,121	57,127,126	55,680,613	57,203,791
Total liabilities	<u>23,406,790</u>	<u>15,509,609</u>	<u>62,265,120</u>	<u>64,146,830</u>	<u>85,671,910</u>	<u>79,656,439</u>
<b>Net position:</b>						
Net investment in capital assets	31,767	39,846	118,607,128	113,240,162	118,638,895	113,280,008
Restricted	-	-	7,811,835	5,624,864	7,811,835	5,624,864
Unrestricted	369,974	323,644	33,874,044	29,372,698	34,244,018	29,696,342
Total net position	<u>\$ 401,741</u>	<u>\$ 363,490</u>	<u>\$ 160,293,007</u>	<u>\$ 148,237,724</u>	<u>\$ 160,694,748</u>	<u>\$ 148,601,214</u>

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$160.7 million as of June 30, 2018, an increase of \$12.1 million over the previous fiscal year. The largest portion of net position, \$118.6 million or 73.8 percent, represents the net investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), accumulated depreciation and amortization, less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of the net position, \$7.8 million or 4.9 percent represents resources that are restricted, primarily for the commuter rail liability insurance plan.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia and restricted cash for governmental activities, non-restricted cash, cash equivalents, inventory, trade accounts receivables, and investments for the business-type activities. As of June 30, 2018, approximately \$19.9 million was due from the Commonwealth of Virginia, of which \$7.5 million is for motor vehicle fuel sales tax, \$2.5 million is for toll revenues, and \$9.9 million for grant revenue. This is a \$7.0 million increase from the previous fiscal year, of which grant revenue increased \$2.4 million, toll revenues increase \$2.5 million, and motor vehicle fuel sales tax receivables increased \$2.1 million. The increase in the receivable for grant revenue is primarily due to an increase in capital grant revenue not yet received at the end of the fiscal year for the business-type activities. As of June 30, 2018, \$10.0 million of the amount due from the Commonwealth was for the commuter rail service, with a small amount for the jurisdiction transit function of NVTC, and for general and administrative and projects. Cash and cash equivalents increased approximately \$1.7 million and totaled \$24.9 million as of June 30, 2018, of which all but \$559,418 was for the business-type activities. Restricted cash, cash equivalents and investments totaled \$20.9 million as of June 30, 2018, with \$7.8 million for business-type activities, and \$13.1 million for governmental activities. This is a \$5.4 million increase from the prior year, with \$3.2 million for toll revenue and related interest earnings for governmental activities, and \$2.2 million for business-type activities.

Net position of the jurisdiction trust fund is not reported in the entity-wide Statement of Net Position, as they are considered fiduciary funds and are held in trust for the NVTC member jurisdictions restricted use.

## Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2018 and 2017.

### Summary Statements of Changes in Net Position Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 20,161,585	\$ 19,688,616	\$ 20,161,585	\$ 19,688,616
Operating grants and contributions	144,080,586	147,941,418	7,136,469	6,063,718	151,217,055	154,005,136
Capital grants and contributions	-	-	3,992,968	16,676,597	3,992,968	16,676,597
General revenues:						
Intergovernmental:						
Commuter rail	30,155,596	21,299,239	-	-	30,155,596	21,299,239
Motor vehicle fuel sales tax	35,552,756	30,581,805	-	-	35,552,756	30,581,805
Toll revenue	3,328,379	-	-	-	3,328,379	-
Interest	9,273	4,368	358,818	181,484	368,091	185,852
Other	-	-	(275,729)	1,750	(275,729)	1,750
Transfers	(30,155,596)	(21,299,239)	30,155,596	21,299,239	-	-
Total revenues	182,970,994	178,527,591	61,529,707	63,911,404	244,500,701	242,438,995
Expenses:						
General and administration	2,969,172	6,507,097	-	-	2,969,172	6,507,097
Jurisdiction transit	176,635,192	171,963,100	-	-	176,635,192	171,963,100
Toll funded project costs	3,328,379	-	-	-	3,328,379	-
Commuter rail	-	-	49,474,424	45,978,503	49,474,424	45,978,503
Total expenses	182,932,743	178,470,197	49,474,424	45,978,503	232,407,166	224,448,700
Change in net position	38,251	57,394	12,055,283	17,932,901	12,093,534	17,990,295
Beginning net position	363,490	306,096	148,237,724	130,304,823	148,601,214	130,610,919
Ending net position	\$ 401,741	\$ 363,490	\$ 160,293,007	\$ 148,237,724	\$ 160,694,748	\$ 148,601,214

For the fiscal year ended June 30, 2018, revenues totaled \$244.5 million, compared to \$242.4 million in the preceding year, an increase of \$2.1 million or 0.85 percent. Expenses increased \$8.0 million, or 3.6 percent. A discussion of the key components of these revenue and expense changes is included in the funds analysis.

## **FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS**

### **Governmental Funds**

**General Fund.** The General Fund reports the project, planning and administrative activities of NVTC. The unreserved fund balance represents the net resources available for spending at the end of the fiscal year.

NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual budgets. While certain administrative expenditures such as payroll and payroll related expenses are part of the annual operating budget, they may be included in project costs if they were incurred directly for a project. Since non-administrative project expenditures are generally fully funded from sources other than those for the planning and administrative activities, the unreserved fund balance is mainly the result of the planning and administrative activities of the General Fund.

As of June 30, 2018, the General Fund had a total fund balance of \$594,475 of which \$59,115 was nonspendable and \$535,360 was unassigned. The fund balance increased by \$55,779 or 10.4 percent from the preceding year due to a favorable budget variance, partially offset by budgeted drawdown of surplus funds.

During fiscal year 2018, NVTC's regional projects incurred a total of \$1.1 million in direct costs. Three of these projects were funded with federal, state and regional sources totaling \$938,126. The \$121,763 in other funding sources includes direct local contributions from the NVTC member jurisdictions and regional agencies, local contributions from allocated state assistance, and contributions from NVTC primarily in the form of payroll and payroll related costs.

**Special Revenue Fund – Jurisdiction Transit.** Prior to fiscal year 2013, this special revenue fund reported intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority (WMATA). The intergovernmental revenue included state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. In fiscal year 2013 and 2014, the state contracted directly with the NVTC member jurisdictions for the state operating and capital assistance. Accordingly, in fiscal year 2014 the special revenue fund recognized only the capital assistance contracted with NVTC prior to fiscal year 2013, as well as the motor vehicle fuel sales tax. Beginning in fiscal year 2015, the state contracted again with NVTC for the operating and capital assistance for WMATA. Accordingly, in fiscal year 2018 the special revenue fund recognized state operating and capital assistance for WMATA, capital assistance contracted with NVTC prior to fiscal year 2013, and the motor vehicle fuel sales tax.

As the revenue is recognized by the Special Revenue Fund, it is allocated using the Subsidy Allocation Model formula (SAM). This formula, which is defined and established by NVTC board resolution and the *Code of Virginia*, is maintained and updated annually by NVTC. After the revenue has been allocated by the SAM and each jurisdiction's share has been identified, the funds are remitted to the Jurisdiction Trust Fund for the restricted use by the member jurisdictions individually to support the programs of their respective locality.

Intergovernmental revenues increased approximately \$4.7 million or 2.7 percent from the previous fiscal year. The increase is composed of a \$0.3 million decrease, or 0.2 percent in state assistance, and a \$5.0 million increase, or 16.3 percent in motor vehicle fuel sales tax revenue.

**Special Revenue Fund – I-66 Toll Revenue.** As part of a 40-year agreement with the Commonwealth of Virginia, NVTC has been assigned the authority to administer a program of projects to be funded using revenue generated by the tolling of I-66 inside the Beltway. The agreement calls for NVTC to receive the toll revenues collected by the Commonwealth, net of certain costs charged against those funds, on a quarterly basis for multi-modal projects which benefit the toll payers of the I-66 inside the beltway facility. In accordance with the agreement, NVTC has established a special revenue fund to account for the toll revenue and related projects separately from its other activities. The agreement also calls for the advance payment of up to \$10 million to fund an initial round of projects before tolling commences in December 2017.

During fiscal year 2017, NVTC rated, selected and approved projects totaling \$9.8 million, for which NVTC received an equal amount of advanced funding. During fiscal year 2018, NVTC approved another \$12.1 million in projects. In fiscal year 2018 NVTC received toll revenues of \$3.3 million and recognized a receivable of \$2.5 million for the fourth quarter payment. Revenue and interest earned on the funds is recognized as unearned until such time when the special revenue fund incurs project costs. During fiscal year 2018 the special revenue fund recognized \$3.3 million in project costs and related toll revenue. Deferred revenue totaled \$12.4 million as of June 30, 2018.

### **Proprietary Fund**

The proprietary fund captures NVTC's portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Assets owned by NVTC and the Potomac and Rappahannock Transportation Commission (PRTC) for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities. For financial statement reporting purposes, assets, liabilities and operations are assigned and allocated to NVTC and PRTC based on asset ownership, named entity on debt instruments, and sources of funding.

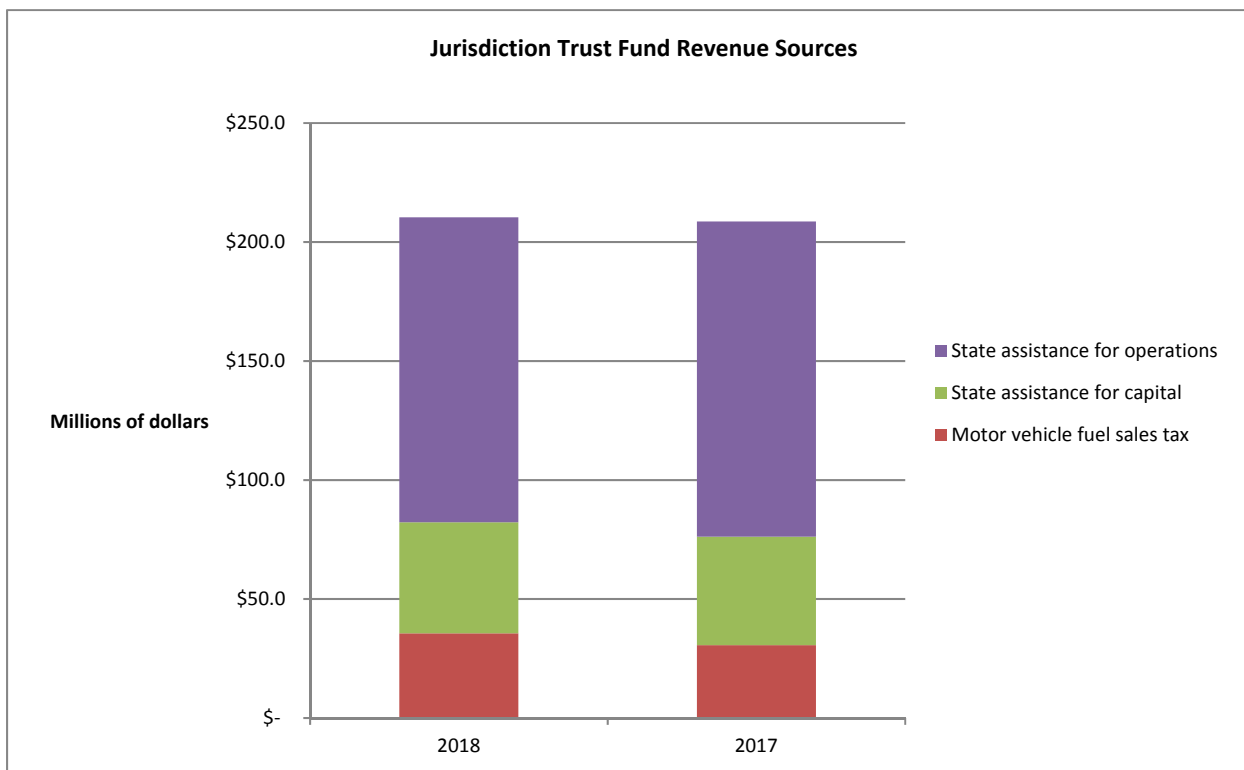
NVTC's share of operating revenue increased about \$0.5 million or 2.4 percent, while operating expenses increased approximately \$3.3 million or 9.7 percent. These increases on a percentage basis mirror the VRE operations as a whole, as NVTC's share of the activity remained relatively constant. Capital contributions and transfers decreased \$3.8 million or 10.1 percent.

In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

## **Fiduciary Fund**

The fiduciary fund is a private purpose trust fund, which is titled the Jurisdiction Trust Fund.

**Jurisdiction Trust Fund.** The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund (contributions from government), as well as fiscal year 2013 through fiscal year 2014 operating and capital assistance contracted with the NVTC member jurisdictions and received directly by the Jurisdiction Trust Fund from the state (intergovernmental revenues). These funds are accounted for on an individual jurisdiction basis. As with the revenue from the Special Revenue Fund, the fiscal year 2013 through fiscal year 2014 directly contracted revenue with the jurisdictions is allocated using the SAM. The funds are invested in the Virginia Local Government Investment Pool, and are available for disbursement for restricted purposes by instructions of the member jurisdictions. The change in the fund balance from year to year is dependent upon the remittances from the special revenue fund, the state operating and capital assistance contracted directly with the jurisdictions and received by the fund, investment income, and the amount each member jurisdiction instructs NVTC to disburse from the Fund. The total additions to the Trust Fund, excluding investment income, increased by \$1.8 million, or 0.8 percent from the previous year. An analysis of this change is shown below.



State assistance for operations is revenue from the state operating formula assistance program. Operating assistance decreased approximately \$4.3 million, or 3.2 percent from the previous fiscal year, while the state-wide allocated operating assistance decrease by a similar percentage. The operating assistance program is funded at the statutory fixed rate of 73.5 percent of projected Mass Transit Trust Fund (MTTF) revenue up to \$160 million. Since fiscal year 2009, the operating program receives directly a portion of the state recordation tax to help fund the operating program. Beginning in fiscal year 2014 with increased statewide funding for transit, MTTF revenues above \$160 million are allocated using a performance based formula for operations.

State assistance for capital expenditures recognized by the Jurisdiction Trust Fund during fiscal year 2018 increased by \$1.1 million or 2.3 percent from the previous fiscal year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund and the Mass Transit Capital Fund. The state-wide capital program is funded at the statutory fixed rate of 25 percent of projected Mass Transit Trust Fund revenues. The fiscal year 2018 program allocated additional funding from the Mass Transit Capital Fund (Bond Funds) for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1 percent. Prior to this, the tax was levied on the retail sales at the rate of 2 percent. Motor Vehicle Fuel Sales tax revenue increased by \$5.0 million, or 16.3 percent from the previous year, which mirror the slight increase in the price of fuel. Other factors that influence the gas tax revenue include overall demand, price elasticity impacting demand, grade mix, and taxpayer compliance.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The details of capital assets as of June 30, 2018 and 2017 are as follows:

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Rolling stock	\$ -	\$ -	\$ 142,639,959	\$ 135,474,546	\$ 142,639,959	\$ 135,474,546
Vehicles	-	-	58,521	83,711	58,521	83,711
Facilities	-	-	52,967,852	51,740,444	52,967,852	51,740,444
Track and signal improvements	-	-	41,717,264	41,742,675	41,717,264	41,742,675
Equipment and software	-	-	6,063,333	6,063,333	6,063,333	6,063,333
Construction in progress	-	-	13,648,999	11,952,082	13,648,999	11,952,082
Equity in properties of others	-	-	2,893,644	2,893,644	2,893,644	2,893,644
Office equipment, furniture and software	135,851	129,490	2,855,606	2,775,076	2,991,457	2,904,566
	135,851	129,490	262,845,178	252,725,511	262,981,029	252,855,001
Less accumulated depreciation and amortization	104,084	89,644	86,445,737	79,622,838	86,549,821	79,712,482
<b>Total capital assets, net</b>	<b>\$ 31,767</b>	<b>\$ 39,846</b>	<b>\$ 176,399,441</b>	<b>\$ 173,102,673</b>	<b>\$ 176,431,208</b>	<b>\$ 173,142,519</b>

NVTC's investment in capital assets as of June 30, 2018 amounted to \$176.4 million (net of accumulated depreciation and amortization) which represents an increase of \$3.3 million or 1.9 percent over last year due to new project construction, offset in part by annual depreciation and amortization. A total of \$12.3 million was charged to construction in progress during the fiscal year. Completed projects totaling approximately \$10.6 million were closed from construction in progress to their respective capital accounts and an additional \$141,640 was charged directly to the capital accounts. \$2.2 million of fully depreciated railcars were sold in fiscal year 2018.

The major completed project during the fiscal year were the delivery of nine Gallery railcars (\$9.4 million) that were placed into service, and the Lorton Station main platform expansion (\$1.2 million).

The major additions to construction in progress during the fiscal year were costs related to acquisition of nine new Gallery railcars (\$9.2 million), the Lorton Station main platform expansion (\$0.6 million), work toward both the L'Enfant Storage Track North (\$0.4 million), ongoing work toward implementation of Positive Train Control (PTC) (\$0.4 million) and development work for the Mid-Day Storage Yard project (\$0.3 million).



## Debt Administration

At June 30, 2018, the Commissions had total debt outstanding of \$58.1 million for the VRE commuter rail service, of which \$52.4 million is reported by NVTC.

The NVTC and PRTC are co-lessees of the capital lease for rolling stock, which is secured by the related equipment. The promissory note with the Federal Railroad Administration for the purchase of 60 Gallery railcars was issued by NVTC, but both NVTC and PRTC were signatories. The note was secured by the revenues of VRE and the rolling stock.

In fiscal year 2018, a financing agreement was entered into with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

	2018	2017
Bond payable	\$ 46,640,000	\$ -
Capital leases	5,734,601	6,422,352
Note payable (includes RRIF)	-	53,440,159
<b>Total</b>	<b>\$ 52,374,601</b>	<b>\$ 59,862,511</b>

## Economic Factors and Next Year's Budget

State assistance recognized by the Special Revenue fund is expected to increase slightly. This is due to an increase in operating and capital assistance for WMATA subsidies and local systems, slightly offset by a decrease in capital assistance for the local systems. Effective fiscal year 2019, the WMATA operating and capital assistance is a fixed 53.5 percent of the total statewide transit funding. This percentage was determined by the Commonwealth as the average WMATA capital and operating assistance compared to the statewide available funding over a four year period.

Effective fiscal year 2019, a minimum price floor was established for the motor vehicle fuel sales tax. The Virginia Code section that establishes the floor states that any gain attributable to the floor will revert to the Commonwealth as a funding source for the new WMATA Capital Fund for dedicated funding to WMATA, and the Commuter Rail Operating and Capital Fund which benefits VRE. For fiscal year 2019, the gain is to be calculated as the difference between the monthly revenue to NVTC in fiscal year 2018 as compared to the actual collections for the same month in fiscal year 2019. Accordingly, the motor vehicle fuels sales tax revenue that NVTC will recognize in fiscal year 2019 will be equal to the revenue recognized in fiscal year 2018. Furthermore, the legislation changed the tax from a sales tax to an excise tax with a market price adjustment equal to the statewide distributor price for a gallon of regular gasoline.

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to increase demand for VRE's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

The VRE local subsidy for fiscal year 2019 increased by 3.0 percent. Fares were held constant for fiscal year 2019.

Additional sources of funding will be available in fiscal year 2019 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of NVTC's finances for all those interested. If you have any questions about this report or need additional financial information, contact the Director of Finance and Administration, Northern Virginia Transportation Commission, 2300 Wilson Boulevard, Suite 620, Arlington, Virginia 22201, or by email to [scottkalkwarf@novatransit.org](mailto:scottkalkwarf@novatransit.org).

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2018

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Primary Government</b>		<b>Total Primary Government</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
Cash and cash equivalents	\$ 559,418	\$ 24,294,997	\$ 24,854,415
Due from other governments:			
Commonwealth of Virginia	19,889,303	-	19,889,303
Local jurisdictions	11,970	-	11,970
Trade accounts receivable, net	-	1,275,294	1,275,294
Other receivables	-	881,524	881,524
Inventory	-	1,560,890	1,560,890
Deposits and prepaid items	59,115	68,698	127,813
Restricted cash, cash equivalents and investments	13,067,270	7,811,835	20,879,105
Internal balances	(9,810,312)	9,810,312	-
Capital assets:			
Rolling stock	-	142,639,959	142,639,959
Vehicles	-	58,521	58,521
Facilities	-	52,967,852	52,967,852
Track and signal improvements	-	41,717,264	41,717,264
Equipment and software	-	6,063,333	6,063,333
Construction in progress	-	13,648,999	13,648,999
Equity in property of others	-	2,893,644	2,893,644
Office equipment, furniture and software	135,851	2,855,606	2,991,457
Less accumulated depreciation and amortization	(104,084)	(86,445,737)	(86,549,821)
Deferred outflows of resources, loss on refunding	-	455,136	455,136
Total assets and deferred outflows of resources	23,808,531	222,558,127	246,366,658

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2018

<b>LIABILITIES</b>	<b>Primary Government</b>		<b>Total Primary Government</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
Accounts payable	\$ 3,331,134	\$ 1,225,272	\$ 4,556,406
Accrued expenses	27,967	1,169,310	1,197,277
Accrued interest	-	524,024	524,024
Due to fiduciary fund	7,421,774	-	7,421,774
Unearned revenue	-	807,778	807,778
Deferred revenue	12,401,414	-	12,401,414
Noncurrent liabilities:			
Due within one year:			
Compensated absences	47,009	37,221	84,230
Bond payable	-	2,280,000	2,280,000
Capital lease obligation	-	718,394	718,394
Due in more than one year:			
Lease liability	83,613	-	83,613
Compensated absences	93,879	254,066	347,945
Bond payable	-	50,232,848	50,232,848
Capital lease obligation	-	5,016,207	5,016,207
Total liabilities	23,406,790	62,265,120	85,671,910
 <b>NET POSITION</b>			
Net investment in capital assets	31,767	118,607,128	118,638,895
Restricted for liability insurance plan	-	5,268,168	5,268,168
Restricted for debt service	-	1,996,544	1,996,544
Restricted grants or contributions	-	547,123	547,123
Unrestricted assets	369,974	33,874,044	34,244,018
Total net position	\$ 401,741	\$ 160,293,007	\$ 160,694,748

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
<b>Primary government:</b>							
Governmental activities:							
General and administration	\$ 2,969,172	\$ -	\$ 2,998,150	\$ -	\$ 28,978	\$ -	\$ 28,978
Toll funded project costs	3,328,379	-	-	-	(3,328,379)	-	(3,328,379)
Jurisdiction transit	176,635,192	-	141,082,436	-	(35,552,756)	-	(35,552,756)
Total governmental activities	182,932,743	-	144,080,586	-	(38,852,157)	-	(38,852,157)
Business-type activities:							
Commuter rail	49,474,424	20,161,585	7,136,469	3,992,968	-	(18,183,402)	(18,183,402)
Total business-type activities	49,474,424	20,161,585	7,136,469	3,992,968	-	(18,183,402)	(18,183,402)
Total primary government	\$ 232,407,167	\$ 20,161,585	\$ 151,217,055	\$ 3,992,968	(38,852,157)	(18,183,402)	(57,035,559)
<b>General revenues:</b>							
Intergovernmental revenue - commuter rail					30,155,596	-	30,155,596
Intergovernmental revenue - motor vehicle fuel sales tax					35,552,756	-	35,552,756
Intergovernmental revenue - toll revenue					3,328,379	-	3,328,379
Loss on disposal of assets					-	(275,729)	(275,729)
Interest income					9,273	358,818	368,091
Transfers					(30,155,596)	30,155,596	-
Total general revenues					38,890,408	30,238,685	69,129,093
<b>Change in net position</b>					38,251	12,055,283	12,093,534
Net position, beginning of year					363,490	148,237,724	148,601,214
Net position, end of year					\$ 401,741	\$ 160,293,007	\$ 160,694,748

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The accompanying notes are an integral part of the financial statements.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund - Jurisdiction Transit	Special Revenue Fund - I-66 Toll Revenue	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 559,418	\$ -	\$ -	\$ 559,418
Due from other governments:				
Commonwealth of Virginia	9,899,570	7,459,427	2,530,306	19,889,303
Local jurisdictions	11,970	-	-	11,970
Due from fiduciary fund	37,653	-	-	37,653
Due from proprietary fund	14,243	-	-	14,243
Restricted cash	-	-	13,067,270	13,067,270
Deposits and prepaid items	59,115	-	-	59,115
<b>Total assets</b>	<b>\$ 10,581,969</b>	<b>\$ 7,459,427</b>	<b>\$ 15,597,576</b>	<b>\$ 33,638,972</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 134,972	\$ -	\$ 3,196,162	\$ 3,331,134
Accrued salaries	27,967	-	-	27,967
Deferred revenue	-	-	12,401,414	12,401,414
Due to proprietary fund	9,824,555	-	-	9,824,555
Due to fiduciary fund	-	7,459,427	-	7,459,427
<b>Total liabilities</b>	<b>9,987,494</b>	<b>7,459,427</b>	<b>15,597,576</b>	<b>33,044,497</b>
<b>FUND BALANCES</b>				
Nonspendable				
Deposits and prepaid items	59,115	-	-	59,115
Unassigned	535,360	-	-	535,360
<b>Total fund balance</b>	<b>594,475</b>	<b>-</b>	<b>-</b>	<b>594,475</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,581,969</b>	<b>\$ 7,459,427</b>	<b>\$ 15,597,576</b>	<b>\$ 33,638,972</b>

Reconciliation of fund balance on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:

Fund balances - governmental funds \$ 594,475

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$135,851 and the accumulated depreciation and amortization is \$104,084. 31,767

Lease liability only recognized in the government-wide financial statements. (83,613)

Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds. (140,888)

Net position - governmental activities \$ 401,741

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2018

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Special Revenue Fund - Jurisdiction Transit</b>	<b>Special Revenue Fund - I-66 Toll Revenue</b>	
Revenues:				
Intergovernmental revenues:				
Grants and contributions:				
Commonwealth of Virginia	\$ 32,250,055	\$ 141,082,436	\$ -	\$ 173,332,491
Federal	492,302	-	-	492,302
Local jurisdictions	331,389	-	-	331,389
Toll Revenue	-	-	3,328,379	3,328,379
Motor vehicle fuel sales tax	-	35,552,756	-	35,552,756
Project chargebacks	80,000	-	-	80,000
Interest income	9,273	-	-	9,273
Total revenues	<u>33,163,019</u>	<u>176,635,192</u>	<u>3,328,379</u>	<u>213,126,590</u>
Expenditures:				
Current:				
General and administration	1,881,736	-	-	1,881,736
Project costs	1,059,889	-	-	1,059,889
Toll funded project costs	-	-	3,328,379	3,328,379
Payments to fiduciary fund	-	176,635,192	-	176,635,192
Capital outlay	10,019	-	-	10,019
Total expenditures	<u>2,951,644</u>	<u>176,635,192</u>	<u>3,328,379</u>	<u>182,915,215</u>
Other financing uses:				
Transfer out	<u>(30,155,596)</u>	<u>-</u>	<u>-</u>	<u>(30,155,596)</u>
<b>Change in fund balances</b>	55,779	-	-	55,779
Fund balances, beginning of year	<u>538,696</u>	<u>-</u>	<u>-</u>	<u>538,696</u>
Fund balances, end of year	<u>\$ 594,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,475</u>

Change in fund balances - total governmental funds \$ 55,779

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Add - capital outlay	10,019
Deduct - depreciation and amortization expense	(18,098)

Amortization of lease liability is only recognized in the government-wide financial statements.	16,465
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The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(25,914)</u>
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Change in net position of governmental activities	<u>\$ 38,251</u>
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The accompanying notes are an integral part of the financial statements.



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2018

	<b>Commuter Rail Service Fund</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current Assets:	
Cash and cash equivalents	\$ 24,294,997
Accounts receivable:	
Due from general fund	9,810,312
Trade receivables, net of allowance for doubtful accounts	1,275,294
Other receivables	881,524
Inventory	1,560,890
Prepaid expenses and other	68,698
Restricted cash, cash equivalents and investments	7,811,835
<b>Total current assets</b>	<b>45,703,550</b>
Capital assets:	
Rolling stock	142,639,959
Vehicles	58,521
Facilities	52,967,852
Track and signal improvements	41,717,264
Equipment and software	6,063,333
Construction in progress	13,648,999
Equity in property of others	2,893,644
Furniture, equipment and software	2,855,606
	262,845,178
Less accumulated depreciation and amortization	(86,445,737)
<b>Total capital assets, net</b>	<b>176,399,441</b>
Deferred Outflows of Resources:	
Loss on refunding	455,136
<b>Total assets and deferred outflows of resources</b>	<b>\$ 222,558,127</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2018

	<u>Commuter Rail Service Fund</u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities:	
Accounts payable	\$ 1,225,272
Compensated absences	37,221
Accrued expenses	1,169,310
Accrued interest	524,024
Deferred revenue	807,778
Current portion of bonds payable	2,280,000
Current portion of capital lease obligations	718,394
	6,761,999
<b>Total current liabilities</b>	<b>6,761,999</b>
Noncurrent Liabilities:	
Compensated absences	254,066
Bonds payable	50,232,848
Capital lease obligations	5,016,207
	55,503,121
<b>Total noncurrent liabilities</b>	<b>55,503,121</b>
<b>Total liabilities</b>	<b>62,265,120</b>
Net Position:	
Net investment in capital assets	118,607,128
Restricted for liability insurance plan	5,268,168
Restricted for debt service	1,996,544
Restricted grants or contributions	547,123
Unrestricted assets	33,874,044
	160,293,007
<b>Total net position</b>	<b>160,293,007</b>
<b>Total liabilities and net position</b>	<b>\$ 222,558,127</b>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
Year Ended June 30, 2018

	<b>Commuter Rail Service Fund</b>
Operating Revenues:	
Passenger revenue	\$ 20,033,865
Equipment rentals and other	127,720
Total operating revenues	20,161,585
Operating Expenses:	
Contract operations and maintenance	12,772,155
Other operations and maintenance	8,299,976
Property leases and access fees	7,921,038
Insurance	1,787,119
Marketing and sales	1,200,195
General and administrative	5,528,595
Total operating expenses	37,509,078
Operating loss before depreciation and amortization	(17,347,493)
Depreciation and amortization	(9,100,536)
Operating loss	(26,448,029)
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	6,445,581
Regional transportation funding	690,888
Interest income:	
Operating funds	292,400
Insurance trust	66,019
Other restricted funds	399
Loss on disposal of asset	(275,729)
Interest, amortization and other nonoperating expenses, net	(2,864,810)
Total nonoperating revenues, net	4,354,748
Loss before capital contributions and transfers	(22,093,281)
Capital contributions and transfers:	
Local contributions	12,842
Contribution from General Fund	3,980,126
Transfers in	30,155,596
Total capital contributions and transfers	34,148,564
Change in net position	12,055,283
Net Position, beginning	148,237,724
Net Position, ending	\$ 160,293,007

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2018

	<b>Commuter Rail Service Fund</b>
Cash Flows From Operating Activities:	
Receipts from customers	\$ 19,804,403
Payments to suppliers	(33,165,990)
Payments to employees	(3,409,510)
Net cash used in operating activities	(16,771,097)
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	19,320,509
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(14,073,020)
Capital grants and assistance	15,652,241
Proceeds from sale of capital assets	1,750
Principal paid on capital lease obligations	(687,751)
Principal paid on note	(1,712,817)
Interest paid on capital lease obligation	(287,552)
Interest paid on bonds and note	(1,998,887)
Contribution from General Fund	3,980,126
Net cash provided by capital and related financing activities	874,090
Cash Flows From Investing Activities:	
Interest received on investments	355,430
Increase in cash and cash equivalents	3,778,932
Cash and Cash Equivalents, beginning	28,327,900
Cash and Cash Equivalents, ending	\$ 32,106,832
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (26,448,029)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	9,100,536
(Increase) decrease in:	
Accounts receivable	(318,040)
Other receivables	24,632
Inventory	35,335
Prepaid items and other	(87)
Increase (decrease) in:	
Accounts payable and accrued expenses	898,330
Unearned revenue	(63,774)
Net cash used in operating activities	\$ (16,771,097)
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 196,193
Capital assets acquired through accrued liabilities	36,750
Deferred loss acquired via refinance	462,851
Note payable repaid via refinance	51,727,342

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
June 30, 2018

	<b>Jurisdiction Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 134,597,510
Due from special revenue fund - Motor vehicle fuel sales tax	7,459,427
Due from other governments - Commonwealth of Virginia grants	2,479,721
Total assets	144,536,658
<b>LIABILITIES</b>	
Due to general fund	37,653
Total liabilities	37,653
<b>NET POSITION</b>	
Net position held in trust for member jurisdictions	\$ 144,499,005

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
Year Ended June 30, 2018

	<b>Jurisdiction Trust Fund</b>
Additions:	
Contributions from government	\$ 176,635,192
Intergovernmental revenues	33,726,013
Investment income	1,649,713
Total additions	212,010,918
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	30,448,989
Project development	454,562
Metrorail operating	76,445,800
Metrobus operating	98,291,091
Metroaccess operating	12,698,410
Metro debt service	52,944
Other funds disbursed:	
Other capital disbursements	3,057,174
Other operating disbursements	24,545,742
Total deductions	245,994,712
Change in net position	(33,983,794)
Net position held in trust for member jurisdictions:	
Beginning of year	178,482,799
End of year	\$ 144,499,005

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Commission (NVTC) have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

#### A. Reporting Entity

The Northern Virginia Transportation District (the District) was created by the 1964 Acts of Assembly of the Commonwealth of Virginia, Chapter 630, to assume the powers and purposes of transportation districts under the Act. The transportation district comprises the cities of Alexandria, Fairfax, and Falls Church, and the counties of Arlington, Fairfax and Loudoun, and has all the powers granted transportation districts in the Act. The Act was created for the purpose of developing transportation systems necessary to the orderly growth and development of urban areas of the Commonwealth of Virginia for the safety, comfort, and convenience of its citizens and for the economical utilization of public funds. The District has no taxing power, although a tax imposed by the Virginia General Assembly is collected within the District's boundaries for its benefit. The Northern Virginia Transportation Commission is the governing body of the District, and was created pursuant to the Authorizing Legislation to manage and control the functions, affairs, and property of the District.

The NVTC and Potomac and Rappahannock Transportation Commission (PRTC) reporting entities each include a portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (collectively referred to as the "Commissions") own and operate VRE. Assets for VRE operations have been purchased in the name of the Commissions and funded primarily by grants, loans or other financing arrangements for which one or both Commissions have served as grantee, issuer, borrower, or in other related capacities. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing tracks of the CSX Transportation Corporation (CSX), and the Norfolk Southern Railway Company under respective operating access agreements. Trains are operated and maintained pursuant to an agreement between the Commissions and Keolis Rail Services Virginia, LLC, and Amtrak provides the Commissions with access to storage at Union Station.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of NVTC. Governmental activities, which are supported by intergovernmental revenues, are reported separately from the business-type activities of the VRE joint venture, which rely to a significant extent on charges for services.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include charges to customers who use services provided by a given function, and grants and contributions are restricted to meeting the operational or capital requirements of a particular function.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints on those net positions are in effect. Internally imposed designations of resources are not presented as restricted net position.



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds, proprietary fund, and fiduciary fund. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). The proprietary fund is reported on a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The fiduciary fund is reported on a Statement of Net Position and a Statement of Changes in Net Position. The fiduciary fund is not included in the government-wide statements. Eliminations have been made to minimize the double counting of internal activities.

#### C. Measurement Focus and Basis of Accounting

**Government-wide Financial Statements** – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenditures, are recognized at the time the expenditures are incurred. Any excess of revenues or expenditures at year-end are recorded as unearned revenue or accounts receivable, respectively. Derived tax revenues are recognized when the underlying transactions have occurred.

**Governmental Fund Financial Statements** – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, NVTC considers revenues to be available if they are collected within 90 days after year end. Revenues from grants that are expenditure based are recognized if the expenditure has been made and invoiced to the grant. Expenditures are recorded when a liability is incurred, as under the full accrual method of accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

**Proprietary Fund** – The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with the principal ongoing operation. The principal operating revenues are charges to customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned. Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, subsidies, or investing activities. Intergovernmental revenues, consisting primarily of Commonwealth of Virginia grants, designated for payment of specific expenses, are recognized at the time the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and other contributions are included in the Statement of Revenues, Expenses and Changes in Net Position when expended. Monetary and in-kind contributions are recorded as matching obligations to the jurisdictions or other construction partners as assessed. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

NVTC reports the following major enterprise fund:

##### Commuter Rail Service Fund

The Commuter Rail Service Fund accounts for NVTC's portion of VRE's operation and maintenance costs for commuter rail service, financed by charges for services, jurisdictional contributions, and operating and capital received from the Commonwealth of Virginia.

**Fiduciary Fund** – The financial statements of the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

#### D. Budgeting

Although not statutorily required, NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables NVTC to determine the annual contributions required from the member jurisdictions to fund its planning and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

#### E. Other Significant Accounting Policies

1. Cash and cash equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP) is reported at amortized cost.

2. Restricted cash, cash equivalents and investments

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Position are comprised of funds related to the Virginia Resources Authority (VRA) financing compliance requirements, the balance in the Liability Insurance Plan, a small liability claims account, and toll revenue. The investment in the Virginia State Non-Arbitrage Program (SNAP) for VRA financing is reported at amortized cost.

3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was approximately \$100,120 at June 30, 2018 for the proprietary fund.

4. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at the Crossroads yard. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

6. Capital assets

For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Asset costs include allocation of certain common construction costs based on the relationship of associated direct costs. Assets constructed directly by jurisdictions in satisfaction of system financial responsibilities have been capitalized at the estimated acquisition value as of the date of donation.

When assets are substantially complete and ready for use, these costs are transferred from construction in progress to property and equipment and depreciated or amortized. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such the net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities (“equity in property of others”) recognize the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

Interest is capitalized on qualifying construction in progress projects until they reached the point of substantial completion. For those projects financed with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the borrowing to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

Depreciation and amortization of all exhaustible equipment, buildings and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in properties of others	3-35 years
Office equipment, furniture and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2018.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 7. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expenditure) until then. NVTC currently has one item that qualifies for reporting in this category. The deferred loss on refunding is reported as a deferred outflow of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NVTC currently has no items reported in this category.

##### 8. Compensated absences

Vacation leave for NVTC employees is granted to all full and part-time employees and is earned, generally, based upon the length of employment. Employees with zero through nine years of service may carryover a maximum of 240 hours of accumulated leave while employees with 10 to 15 complete years of service may carryover a maximum of 320 hours of leave. For greater than 15 years of service, the maximum carryover is 360 hours of leave. The allowed accumulated leave earned, yet not paid has been recorded as a liability since the leave vests and an obligation to make payment exists if an employee terminates. The Executive Director may authorize the conversion of excess vacation leave to sick leave.

Sick leave for NVTC employees may also be accumulated. After five years of service, NVTC employees are eligible to receive 25 percent of their accumulated sick leave at the then current wage rate for hours in excess of 450, without limit. Employees hired prior to January 3, 2008 have the option of receiving a payment for 25 percent of accrued hours of sick leave with a maximum of \$5,000. The calculation producing the largest amount for each eligible employee has been recorded as a liability. In prior years, the General Fund was responsible for paying the liability for compensated absences for general government employees.

The employees of the VRE joint venture are employees of PRTC and are subject to PRTC's leave policies. VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer.

VRE employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

9. Fund equity

In the fund financial statements, the governmental fund reports classifications of fund balance as follows:

*Nonspendable fund balance* – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and the principal of a permanent fund that is legally or contractually required to be maintained intact).

*Unassigned fund balance* – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

NVTC will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

10. Indirect expenditure allocation

Employee benefits are allocated to projects based on direct labor charges. Overhead and other indirect costs are not charged to NVTC projects.

11. Net position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position caption “net investment in capital assets” consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by NVTC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NVTC first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

12. Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 13. Inter-fund transfers

Transactions among NVTC's funds would be treated as revenues and expenditures or expenses if they involved organizations external to NVTC government are accounted for as revenues and expenditures or expenses in funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which revenues are to be expended, are separately reported in the respective funds' operating statements.

##### 14. Subsequent events

NVTC has evaluated subsequent events through November 28, 2018 which was the date the financial statements were available to be issued.

### Note 2. Deposits and Investments

At June 30, 2018, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 208,740	\$ 2,548,212	\$ -	\$ 2,756,952
LGIP	350,678	21,746,785	134,597,510	156,694,973
	<u>559,418</u>	<u>24,294,997</u>	<u>134,597,510</u>	<u>159,451,925</u>
Restricted:				
Cash	-	547,123	-	547,123
LGIP	13,067,270	27,216	-	13,094,486
SNAP	-	1,996,544	-	1,996,544
Insurance trust fund – pooled funds	-	5,240,952	-	5,240,952
	<u>13,067,270</u>	<u>7,811,835</u>	<u>-</u>	<u>20,879,105</u>
<b>Total</b>	<b>\$ 13,626,688</b>	<b>\$ 31,106,832</b>	<b>\$ 134,597,510</b>	<b>\$ 180,331,030</b>

Maturities of all investments are less than one year.

#### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes; bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

As of June 30, 2018, the reporting entity had investments of \$169,789,459 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. Investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of LGIP is less than one year.

In accordance with the requirements of the Financing Agreement between the Virginia Resources Authority (VRA) and NVTC, a debt service reserve fund (DSRF) was established for the benefit of VRA. On the closing date of the VRA financing, \$2 million was transferred into the DSRF from existing cash reserves. The funds in the DSRF shall be used solely to cure any deficiencies in the payment of any principal, premium, or interest associated with the VRA financing. The funds in the DSRF are held in custody at U.S. Bank and are managed by PFM Asset Management LLC through the Virginia State Non-Arbitrage Program (SNAP). The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor’s maturing in under two (2) years and in the SNAP Fund, a AAAm rated local government investment pool that complies with GASB Statement 79. At June 30, 2018, the reporting entity had \$1,996,544 invested in the VRA Debt Service Reserve Fund.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth’s pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2018, a total of \$10,481,904 was invested in the Insurance Trust, of which \$5,240,952 is included in the NVTC reporting entity. From fiscal year 2011 through fiscal year 2015, any earnings on these investments were retained by the Commonwealth of Virginia. In fiscal year 2018, earnings on the Insurance Trust in the amount of \$132,037 were credited to VRE, of which \$66,019 was included in the NVTC reporting entity. The Insurance Trust Fund has not been assigned a rating.

NVTC’s investment authority and permitted instruments are contained in resolutions approved by the NVTC Board. NVTC’s investment policy objectives are to generate revenue while balancing risk and ensuring the availability of cash to meet the Commission’s and the jurisdictions’ expenditure requirements. The objectives are prioritized in the following order: safety, liquidity, and return on investments. Allowable investments are restricted to instruments permitted by the *Code of Virginia*, with maximum percentages of the portfolio permitted in each of the following instruments:

LGIP	100%
U.S. Treasury Obligations	100%
Certificates of Deposit	75%
Bankers’ Acceptances	50%
Repurchase Agreements	35%
Commercial Paper	25%

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Investments (Continued)

The VRE Operations Board has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet VRE's expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of VRE's investment activities, in priority order, are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

#### Credit risk

The investment policy specifies credit quality for certain types of investments, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services.

#### Custodial credit risk

For deposits, custodial credit risk is the risk in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the reporting entity is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

#### Interest rate risk

In accordance with its investment policy, VRE manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Concentration of credit risk

The Commuter Rail Service Fund's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart.

The limitations provided in the investment policy for maximum maturity and the percentage of the portfolio allowed for each category of investment are as follows:

Investment	Length of Maturity	Percent Allowed
Bonds, notes, and other evidence of indebtedness of the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	60%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%
Prime Quality Commercial Paper (no more than 5% from one issuer)	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

When applicable, NVTC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NVTC has the following investment subject to fair value measurement:

- U.S. Treasury securities of \$1,996,544 as of June 30, 2018, which are valued using quoted prices in an active market for identical assets (Level 1 inputs).

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 3. Due From Other Governments

At June 30, 2018, due from other governments consisted of the following:

	Project and Administrative	Jurisdiction Transit	Total
Due from Commonwealth of Virginia:			
Motor vehicle fuel sales tax	\$ -	\$ 7,459,427	\$ 7,459,427
Grants	9,899,570	-	9,899,570
Toll revenue	2,530,306	-	2,530,306
	<u>12,429,876</u>	<u>7,459,427</u>	<u>19,889,303</u>
Due from Local Jurisdictions:			
Local grant match	11,970	-	11,970
	<u>\$ 12,441,846</u>	<u>\$ 7,459,427</u>	<u>\$ 19,901,273</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$9,824,555 for commuter rail and \$2,605,321 for other projects.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets being depreciated or amortized:					
Office equipment, furniture and software	\$ 129,490	\$ 10,019	\$ (3,658)	\$ -	135,851
Less accumulated depreciation or amortization	89,644	18,098	(3,658)	-	104,084
<b>Governmental activities capital assets, net</b>	<b>\$ 39,846</b>	<b>\$ (8,079)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>31,767</b>
<b>Business-type activities:</b>					
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 11,952,082	\$ 12,281,076	\$ -	\$ (10,584,159)	\$ 13,648,999
Capital assets being depreciated or amortized:					
Rolling stock	135,474,546	-	(2,238,305)	9,403,718	142,639,959
Vehicles	83,711	14,143	(39,333)	-	58,521
Facilities	51,740,444	46,967	-	1,180,441	52,967,852
Track and signal improvements	41,742,675	-	(25,411)	-	41,717,264
Equipment and software	6,063,333	-	-	-	6,063,333
Equity in property of others	2,893,644	-	-	-	2,893,644
Office equipment, furniture and software	2,775,076	80,530	-	-	2,855,606
<b>Total capital assets being depreciated or amortized</b>	<b>240,773,429</b>	<b>141,640</b>	<b>(2,303,049)</b>	<b>10,584,159</b>	<b>249,196,179</b>
Less accumulated depreciation or amortization for:					
Rolling stock	37,593,599	5,612,367	(2,238,304)	-	40,967,662
Vehicles	52,588	10,291	(39,333)	-	23,546
Facilities	19,194,940	1,567,783	-	-	20,762,723
Track and signal improvements	13,281,696	1,407,083	-	-	14,688,779
Equipment and software	5,336,383	353,429	-	-	5,689,812
Equity in property of others	1,818,334	83,623	-	-	1,901,957
Office equipment, furniture and software	2,345,298	65,960	-	-	2,411,258
<b>Total accumulated depreciation or amortization</b>	<b>79,622,838</b>	<b>9,100,536</b>	<b>(2,277,637)</b>	<b>-</b>	<b>86,445,737</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>161,150,591</b>	<b>(8,958,896)</b>	<b>(25,412)</b>	<b>10,584,159</b>	<b>162,750,442</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 173,102,673</b>	<b>\$ 3,322,180</b>	<b>\$ (25,412)</b>	<b>\$ -</b>	<b>176,399,441</b>

Note: The chart above reflects the completion of the five new railcars project at a value of \$9.4 million, and the Lorton Station main platform expansion project at a value of \$1.2 million. VRE sold seven fully depreciated Gallery-style railcars to Foxville & Northern Railroad Company in Pelion, SC, in fiscal year 2018, with a value of \$4.5 million (\$2.25 million, NVTC reporting entity). Additionally, VRE traded in three fully depreciated vehicles at a value of approximately \$79,000 (\$39,500, NVTC reporting entity) toward the purchase of a single new replacement vehicle at a value of approximately \$28,000 (\$14,000, NVTC reporting entity).

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 4. Capital Assets (continued)

The chart also reflects the reduction of \$25,500 in track and signal asset value for the NVTC reporting entity. The reduction is due to an over estimation and accrual of expected remaining project costs at the time of value adjustment in fiscal year 2017, and a refund of project costs in fiscal year 2018. Subsequent payment activity identified this over-accrual, leading to the reduction of the final asset cost.

Depreciation and amortization expenses for the year ended June 30, 2018 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
<b>Primary government:</b>		
General and administration	\$ 18,098	\$ -
Commuter rail	-	9,100,536

### Note 5. Joint Venture – Virginia Railway Express

The NVTC reporting entity and the PRTC reporting entity contain their respective shares of the financial activity of the VRE joint venture. In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

Assets owned by the Commissions for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC-VRE as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities.

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of \$5,000.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds control the use and disposal of property acquired with state grant funds. If any project equipment are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state. For facilities, the Commonwealth requires an amount equal to the proportional share of fair market value based upon the ratio of participation by the state be remitted.

Pursuant to a Master Agreement signed in 1989, the Commissions own and operate VRE. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing tracks of CSX and the Norfolk Southern Railway Company under respective operating access agreements.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, consisting of three commissioners appointed from each of NVTC and PRTC and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive net income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bond issues, lease financing, Federal and Commonwealth of Virginia grants, and local jurisdictional contributions based on a population/ridership formula that is supplemented by voluntary donations from contributing jurisdictions.

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

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#### **Note 5. Joint Venture – Virginia Railway Express (continued)**

Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania, and Stafford; and the cities of Manassas, Manassas Park, and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia.

In July 2007, the Commissions adopted amendments to the VRE Master Agreement that expanded the Operations Board to include all member jurisdictions and provided for board representation proportionate to system ridership, and weighted voting proportionate to jurisdictional subsidy. In addition, the amendments apportioned jurisdictional subsidies on system ridership only, rather than the then current 90 percent system ridership and 10 percent population formula. The amendment to the subsidy formula was phased in over four years, beginning in fiscal year 2008. The amendments also allowed for greater autonomy for the Operations Board, with progressively more decisions made by the Board without referral to PRTC and NVTC.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 5. Joint Venture – Virginia Railway Express (continued)

Financial information from VRE's fiscal year 2018 audited financial statements is shown below.

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2018

##### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 51,186,348
Accounts receivable:	
Due from PRTC – FTA and other	13,007,142
Commonwealth of Virginia grants	9,824,555
Trade and other, net of allowance	4,463,823
Inventory	3,289,547
Prepaid expenses and other	144,779
Restricted cash, cash equivalents and investments	13,627,126
<b>Total current assets</b>	<u>95,543,320</u>
Noncurrent assets:	
Pension asset	292,569
Capital assets (net \$172,891,474 accumulated depreciation and amortization)	352,798,880
<b>Total noncurrent assets</b>	<u>353,091,449</u>
<b>Total assets</b>	448,634,769
Deferred outflows of resources	884,315
<b>Total assets and deferred outflows of resources</b>	<u>\$ 449,519,084</u>

##### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable and accrued liabilities	\$ 6,861,929
Unearned revenue	1,702,378
Current portion of:	
Compensated absences	78,442
Bond payable	2,280,000
Capital lease obligations	1,436,789
<b>Total current liabilities</b>	<u>12,359,538</u>
Noncurrent liabilities:	
Other postemployment benefits	416,035
Capital lease obligations	10,032,413
Bond payable	50,232,848
Compensated absences	535,440
<b>Total noncurrent liabilities</b>	<u>61,216,736</u>
<b>Total liabilities</b>	<u>73,576,274</u>
Deferred inflows of resources	296,614
Net position:	
Net investment in capital assets	289,271,966
Restricted for liability insurance plan	10,536,336
Restricted for debt service	1,996,544
Restricted grants or contributions	1,094,246
Unrestricted assets	72,747,104
<b>Total net position</b>	<u>375,646,196</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 449,519,084</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 5. Joint Venture – Virginia Railway Express (Continued)**

**VIRGINIA RAILWAY EXPRESS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2018**

Operating revenues	\$	42,490,170
Operating expenses		79,049,691
<b>Operating loss before depreciation and amortization</b>		<u>(36,559,521)</u>
Depreciation and amortization		(18,201,071)
<b>Operating loss</b>		<u>(54,760,592)</u>
Nonoperating revenues (expenses):		
Subsidies:		
Commonwealth of Virginia grants		17,145,270
Federal grants – with PRTC as grantee		15,362,802
Jurisdictional contributions		17,250,240
Regional transportation funding (NVTA)		766,586
Interest income:		
Operating funds		616,228
Insurance trust		132,037
Other restricted funds		797
Loss on disposal of assets		(551,457)
Interest, amortization and other nonoperating expenses, net		(3,147,164)
<b>Total nonoperating revenues, net</b>		<u>47,575,339</u>
Capital grants and assistance:		
Commonwealth of Virginia grants		13,010,326
Federal grants – with PRTC as grantee		9,559,056
Regional transportation funding (NVTA)		615,190
Local contributions		12,842
<b>Total capital grants and assistance</b>		<u>23,197,414</u>
<b>Change in net position</b>		16,012,161
Net position, beginning of year, as restated		<u>359,634,035</u>
Net position, ending	\$	<u>375,646,196</u>

**Note 6. Intergovernmental Revenues, Commonwealth of Virginia**

Intergovernmental revenues from the Commonwealth of Virginia include the regional motor vehicle fuel sales tax, NVTC project revenue, operating and capital assistance for NVTC's WMATA Compact members' local systems contracted prior to fiscal year 2013, operating and capital assistance for NVTC's WMATA Compact members' WMATA subsidies, and operating and capital assistance for the VRE commuter rail service.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7. Pension Plans

Employees of the reporting entity are covered under two separate plans. The NVTC Pension Trust covers eligible employees of the governmental activities of NVTC, while the Virginia Retirement System covers the eligible employees of the business-type activities of the VRE joint venture through employment with PRTC.

#### NVTC – Target Benefit Plan

NVTC contributes to the Northern Virginia Transportation Commission Pension Trust (the Plan), a single employer public employees' retirement system, contributory target benefit pension plan covering substantially all employees. Under the terms of the Plan, the normal retirement date is the July 1st closest to the participant's 65th birthday. Early retirement may be elected if the participant has attained age 55 with ten years of continuous service. Employees vest in the employer's contributions at the rate of 20 percent for each year of service until fully vested.

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2018 totaled \$127,149 (12.5 percent of covered payroll). Required employee contributions for the year ended June 30, 2018 totaled \$20,954 (2.1 percent of covered payroll). Since 1994, participants have been required to contribute 2.0 percent of covered salary, not to exceed 50 percent of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC's payroll for employees covered by the plan for the year ended June 30, 2018 was approximately \$1,014,000.

### Note 8. Operating Leases and Agreements

#### Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3 percent annual increases in base rent over the term of the lease, and the pass-through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for governmental activities as reported in the government-wide financial statements totals \$211,647 (\$228,112 paid less \$16,465 amortization). The Statement of Net Position reported a liability of \$83,613 related to the lease. The remaining liability will be amortized over the remaining lease.

On March 14, 2018 NVTC entered into the first amendment to the office space lease for additional space, effective March 1, 2019 and ending October 31, 2031, canceling the original lease on the effective date of the first amendment. The lease provides for 2.5 percent annual increases in base rent over the term of the lease, and the pass-through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first month of base rent for each of the first seven years of the lease.

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2020. Minimum monthly payments under these agreements equal \$406 per month, with payments totaling \$4,872 for the year ended June 30, 2018.



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 8. Operating Leases and Agreements (continued)

As of June 30, 2018, the minimum long-term lease commitments were as shown below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 212,768
2020	258,718
2021	262,628
2022	266,697
2023	273,364
2024-2028	1,556,612
2029-2032	1,188,573
Total	<u>\$ 4,019,360</u>

### Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the year ended June 30, 2018, annual track usage fees totaled approximately \$9,888,000, of which \$4,692,000 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately \$571,000, of which \$271,000 is recognized by the NVTC reporting entity.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on July 1, 2015. For the year ended June 30, 2018, costs for track access and equipment storage totaled approximately \$6,628,000, of which \$3,145,000 is recognized by the NVTC reporting entity and mid-day maintenance, utility and other services totaled approximately \$4,965,000, of which \$2,356,000 is recognized by the NVTC reporting entity. Cost adjustments will be made in fiscal year 2019 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access will be in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions have a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five-year period beginning July 1, 2015. The cost of train operations and maintenance for the year ended June 30, 2018 totaled approximately \$22,060,000, of which \$10,467,000 is recognized by the NVTC reporting entity. Costs are based on an annual budget prepared in advance. Costs in fiscal year 2018 reflect contractual increases and the addition of a new train during the fiscal year. Costs for fiscal year 2019 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 114,974	\$ 100,041	\$ 74,127	\$ 140,888	\$ 47,009
<b>Total governmental activities</b>	<b>114,974</b>	<b>100,041</b>	<b>74,127</b>	<b>140,888</b>	<b>47,009</b>
Business-type activities:					
Capital leases	6,422,352	-	687,751	5,734,601	718,394
Bond payable	-	46,640,000	-	46,640,000	2,280,000
Unamortized premium	-	5,972,388	99,540	5,872,848	-
Note payable	53,440,159	-	53,440,159	-	-
Compensated absences	257,458	201,263	167,434	291,287	37,221
<b>Total business-type activities</b>	<b>60,119,969</b>	<b>52,813,651</b>	<b>54,394,884</b>	<b>58,538,736</b>	<b>3,035,615</b>
<b>Total Primary Government</b>	<b>\$ 60,234,943</b>	<b>\$ 52,913,692</b>	<b>\$ 54,469,011</b>	<b>\$ 58,679,624</b>	<b>\$ 3,082,624</b>

Federal arbitrage regulations apply to VRE's Gallery IV capitalized lease.

#### Capitalized Lease - Gallery IV (11 cars)

	Total	NVTC Reporting Entity
\$25,100,000 capitalized lease obligation (NVTC reporting entity, \$12,550,000); \$965,679 due semi-annually (NVTC reporting entity, \$482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$15,198,141 (NVTC reporting entity, \$7,599,070)	\$ 11,451,643	\$ 5,725,822

Future minimum lease payments as of June 30, 2018 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2019	\$ 1,931,357	\$ 965,679
2020	1,931,357	965,678
2021	1,931,357	965,679
2022	1,931,357	965,678
2023	1,931,357	965,679
2024-2025	3,862,714	1,931,357
Total minimum lease payments	13,519,499	6,759,750
Lease amount representing interest	2,067,856	1,033,928
Present value of lease payments	\$ 11,451,643	\$ 5,725,822

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 9. Long-Term Debt Obligations (continued)**

**Capitalized Lease – Copiers**

	Total	NVTC Reporting Entity
\$73,425 capitalized lease obligation; \$1,329 due monthly, interest at 9.39%, maturing in 2020; \$330 due monthly, interest at 11.73%, maturing in 2018, collateralized with three multifunction copiers with a carrying value of \$12,690 (NVTC reporting entity, \$6,345)	<u>\$ 17,559</u>	<u>\$ 8,779</u>

Future minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30,	Total	NVTC Reporting Entity
2019	\$ 15,948	\$ 7,974
2020	<u>2,658</u>	<u>1,329</u>
Total minimum lease payments	18,606	9,303
Less amount representing interest	<u>1,047</u>	<u>524</u>
<b>Present value of lease payments</b>	<u><b>\$ 17,559</b></u>	<u><b>\$ 8,779</b></u>

**Notes Payable – Gallery IV (60 cars)**

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note was secured by the revenues of VRE and the railcars.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA consolidated promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

VRA bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.83% to 5.13% through October 1, 2032. The carrying value of the railcars was \$70,031,124 at June 30, 2018. \$ 46,640,000

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9. Long-Term Debt Obligations (continued)

Mandatory debt service requirements for the note consist of the following:

Years Ending June 30,	Principal	Interest	Total Required
2019	\$ 2,280,000	\$ 2,010,993	\$ 4,290,993
2020	2,240,000	2,050,400	4,290,400
2021	2,350,000	1,939,481	4,289,481
2022	2,475,000	1,815,841	4,290,841
2023	2,605,000	1,685,666	4,290,666
2023-2028	15,235,000	6,222,272	21,457,272
2029-2033	19,455,000	2,001,384	21,456,384
Subtotal	46,640,000	17,726,037	64,366,037
Unamortized premium	5,872,848	-	-
<b>Total</b>	<b>\$ 52,512,848</b>	<b>\$ 17,726,037</b>	<b>\$ 64,366,037</b>

### Note 10. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property damage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at \$295,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$140,000 at June 30, 2018, of which \$70,000 was included in the NVTC reporting entity.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2018 is as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,416,871	\$ 5,208,435
Contribution to reserves	3,700,000	1,850,000
Insurance premiums paid	(3,742,259)	(1,871,129)
Investment income	132,037	66,019
Actuarial and administrative charges	(24,745)	(12,373)
Ending balance, June 30	<b>\$ 10,481,904</b>	<b>\$ 5,240,952</b>

An actuarial study is performed annually to determine the adequacy of the Insurance Trust Fund for the risk retained and to determine the required contribution to reserves.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 11. Significant Commitments and Contingencies

NVTC and the VRE joint venture have received proceeds from several federal and state grant programs. In the event of an audit of these grants certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such findings may result in the refund of grant monies to the grantor agencies. Based on the reporting entities policies and past experience, management believes no refunds would be due in the case of an audit and accordingly no provision has been made in the accompanying financial statements for the refund of grant monies.

#### Governmental activities

A combination of Federal and Commonwealth of Virginia Grants and local funds are available to finance substantially all of the NVTC contracted services for the projects. Significant NVTC contracts include a sufficiency of funding clause in the event funding becomes unavailable.

All project expenditures are expensed as incurred, including expenditures for tangible assets, as the equipment becomes the property of the transit systems upon completion of the contract.

#### Business-type activities

At June 30, 2018, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with VRE as grantee) and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2018:

Stations and parking lots	\$ 3,723,340
Rolling stock	19,400,653
Maintenance and layover yards	1,956,777
Track and signal improvements	169,411
Other administrative	1,282,759
<b>Total</b>	<u>\$ 26,532,940</u>

### Note 12. Pending GASB Statements

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by NVTC. The statements which might impact NVTC are as follows:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, will increase the usefulness of VRE's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 12. Pending GASB Statements (continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for fiscal years beginning after December 15, 2018.

Management has not yet determined the effect of these statements on its financial statements.

### Note 13. Subsequent Events

In October 2018, NVTC entered into the second amendment to the office space lease for additional space, effective March 1, 2019 and ending October 31, 2031, canceling the original lease and the first amendment on the effective date of the amendment. The lease provides for 2.5 percent annual increases in base rent over the term of the lease, and the pass-through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first month of base rent for each of the first seven years of the lease, plus the first year of the additional space over the first lease amendment. Total base rent over the term of the lease, net of rent abatement, equals \$5,682,048.

In July 2018, the Commissions placed into service the L'Enfant North Storage Track, a capital improvement project. The project will be capitalized in fiscal year 2019.

In July 2018, the Commissions voted to approve a preferred design concept for the Broad Run Expansion project. While this approval has no immediate financial impact, the choice of a preferred concept will drive future decisions regarding this station location and the material costs and potential revenues related to its improvement.

In July 2018, the Commissions authorized the Chief Executive Officer to execute a Sole Source Contract with Meteorcomm LLC for five years in the amount of \$3,791,213 including contingency. Meteorcomm is the sole provider of software necessary for communications between VRE locomotives/cab control cars and the host railroads' wayside and back office systems, as required for the implementation and ongoing operations of Positive Train Control (PTC).

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY JURISDICTION**  
**JURISDICTION TRUST FUND**  
Year Ended June 30, 2018

	<u>City of Alexandria</u>	<u>Arlington County</u>	<u>City of Fairfax</u>	<u>Fairfax County</u>	<u>City of Falls Church</u>	<u>Loudoun County</u>	<u>Totals</u>
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 20,766,676	\$ 34,488,130	\$ 1,794,797	\$ 82,996,447	\$ 1,036,386	\$ -	\$ 141,082,436
Motor Vehicle Fuel Sales Tax	3,023,205	2,789,789	1,397,397	18,155,201	1,374,576	8,812,588	35,552,756
Intergovernmental revenues, grants:							
Commonwealth of Virginia	5,062,480	8,735,701	416,718	19,270,224	240,890	-	33,726,013
Investment income	178,349	208,311	47,360	912,890	14,325	288,478	1,649,713
Total additions	<u>29,030,710</u>	<u>46,221,931</u>	<u>3,656,272</u>	<u>121,334,762</u>	<u>2,666,177</u>	<u>9,101,066</u>	<u>212,010,918</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	-	19,913,280	585,555	9,534,452	415,702	-	30,448,989
Project development	-	290,968	8,404	147,748	7,442	-	454,562
Metrorail operating	5,049,401	16,024,429	1,187,103	53,515,156	669,711	-	76,445,800
Metrobus operating	19,229,240	18,603,480	664,549	58,637,094	1,156,728	-	98,291,091
Metroaccess operating	-	-	306,393	12,328,766	63,251	-	12,698,410
Metro debt service	-	-	-	-	52,944	-	52,944
Other funds disbursed:							
Other capital disbursements	-	1,176,406	-	89,251	10,454	1,781,063	3,057,174
Other operating disbursements	-	5,080,324	138,575	15,302,224	-	4,024,619	24,545,742
Total deductions	<u>24,278,641</u>	<u>61,088,887</u>	<u>2,890,579</u>	<u>149,554,691</u>	<u>2,376,232</u>	<u>5,805,682</u>	<u>245,994,712</u>
Change in net position	4,752,069	(14,866,956)	765,693	(28,219,929)	289,945	3,295,384	(33,983,794)
Net position held in trust for member jurisdictions:							
Beginning of year	<u>17,074,975</u>	<u>33,097,804</u>	<u>3,711,116</u>	<u>103,291,195</u>	<u>918,054</u>	<u>20,389,655</u>	<u>178,482,799</u>
End of year	<u>\$ 21,827,044</u>	<u>\$ 18,230,848</u>	<u>\$ 4,476,809</u>	<u>\$ 75,071,266</u>	<u>\$ 1,207,999</u>	<u>\$ 23,685,039</u>	<u>\$ 144,499,005</u>



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES**  
**GENERAL FUND**  
**Year Ended June 30, 2018**

	Total	General and Administrative	Projects
Expenditures:			
Advertising	\$ 1,744	\$ 1,744	\$ -
Audit and Legal	57,780	57,780	-
Capital outlay	10,019	10,019	-
Commissioners' per diem	13,350	13,350	-
Computer	7,120	7,120	-
Conference and training	14,787	14,787	-
Copier duplicating	10,437	10,437	-
Disability insurance	6,044	5,748	296
Employee group insurance	99,516	94,635	4,881
Employee retirement	127,149	120,913	6,236
Employer payroll taxes	83,655	79,552	4,103
Leave - annual, holiday, and sick	153,734	146,194	7,540
Memberships and subscriptions	1,770	1,770	-
Miscellaneous	5,969	5,969	-
Office supplies	3,361	3,361	-
Office rent	228,112	228,112	-
Insurance and liability bonds	6,032	6,032	-
Parking and Transit	17,621	17,621	-
Postage and shipping	1,060	1,060	-
Project consultants and other project costs	1,012,153	26,886	985,267
Public information	500	500	-
Salaries and wages	1,024,191	972,667	51,524
State liaison	37,553	37,553	-
Telephone and data	10,319	10,319	-
Travel and meetings	17,668	17,625	43
	<u>\$ 2,951,644</u>	<u>\$ 1,891,755</u>	<u>\$ 1,059,889</u>
Total expenditures	<u>\$ 2,951,644</u>	<u>\$ 1,891,755</u>	<u>\$ 1,059,889</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES  
GENERAL FUND  
Year Ended June 30, 2018**

	<u>Jurisdiction Grants &amp; Projects</u>	<u>NTD</u>	<u>Fare Collection</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:					
Commonwealth of Virginia	\$ 306,892	\$ 91,788	\$ 47,144	\$ -	\$ 445,824
Federal	492,302	-	-	-	492,302
Local	-	-	47,142	-	47,142
NVTC match	-	8,842	32,671	33,108	74,621
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue	<u>\$ 799,194</u>	<u>\$ 100,630</u>	<u>\$ 126,957</u>	<u>\$ 33,108</u>	<u>\$ 1,059,889</u>
Expenditures:					
Consultants	\$ -	\$ 91,788	\$ 94,285	\$ -	\$ 186,073
Costs incurred	799,194	-	-	-	799,194
Fringe benefits	-	2,733	10,087	10,235	23,055
Salaries and wages	-	6,109	22,542	22,873	51,524
Travel	-	-	43	-	43
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 799,194</u>	<u>\$ 100,630</u>	<u>\$ 126,957</u>	<u>\$ 33,108</u>	<u>\$ 1,059,889</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES  
GENERAL FUND  
Project Costs to Date - Active Projects  
Period Ended June 30, 2018**

	<u>Jurisdiction Grants &amp; Projects</u>	<u>NTD and Bus Data Collection</u>	<u>Fare Collection</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:					
Commonwealth of Virginia	\$ 1,852,948	\$ 1,767,357	\$ 235,144	\$ 43,500	\$ 3,898,949
Federal	9,921,929	113,067	-	349,537	10,384,533
Regional	-	-	-	834,665	834,665
Local	5,000	1,209,070	235,141	43,750	1,492,961
NVTC match	71,101	67,947	130,835	132,657	402,540
	<u>\$ 11,850,978</u>	<u>\$ 3,157,441</u>	<u>\$ 601,120</u>	<u>\$ 1,404,109</u>	<u>\$ 17,013,648</u>
Total revenue					
	<u>\$ 11,850,978</u>	<u>\$ 3,157,441</u>	<u>\$ 601,120</u>	<u>\$ 1,404,109</u>	<u>\$ 17,013,648</u>
Expenditures:					
Advertising	\$ 306	\$ 1,210	\$ -	\$ -	\$ 1,516
Consultants	442,735	3,074,446	470,285	1,271,587	5,259,053
Copier duplicating	-	-	-	37	37
Costs incurred	11,337,140	-	-	-	11,337,140
Fringe benefits	22,963	24,424	39,272	39,714	126,373
Parking	8	60	360	144	572
Postage	-	960	-	307	1,267
Public information	-	-	-	362	362
Salaries and wages	47,718	55,970	91,001	91,419	286,108
Telephone	108	21	-	-	129
Travel	-	350	202	539	1,091
	<u>\$ 11,850,978</u>	<u>\$ 3,157,441</u>	<u>\$ 601,120</u>	<u>\$ 1,404,109</u>	<u>\$ 17,013,648</u>
Total expenditures					
	<u>\$ 11,850,978</u>	<u>\$ 3,157,441</u>	<u>\$ 601,120</u>	<u>\$ 1,404,109</u>	<u>\$ 17,013,648</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2018**

Grant	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2018	7/26/2017	73018-44	\$ 19,605,134	\$ -	\$ 18,242,756	\$ 18,242,756	\$ 18,242,756	\$ -	\$ 18,242,756
Fiscal Year 2018	7/26/2017	73018-45	18,872,150	-	17,561,950	17,561,950	17,561,950	-	17,561,950
Fiscal Year 2018	7/26/2017	73018-46	3,193,863	-	2,972,453	2,972,453	2,972,453	-	2,972,453
Fiscal Year 2018	7/26/2017	73018-48	140,250	-	105,413	105,413	105,413	-	105,413
Fiscal Year 2018	7/26/2017	73018-49	875,398	-	-	-	-	-	-
Fiscal Year 2017	12/13/2016	73017-45	19,535,598	-	-	-	-	-	18,044,177
Fiscal Year 2017	12/13/2016	73017-46	13,618,279	-	-	-	-	-	13,196,593
Fiscal Year 2017	12/13/2016	73017-47	1,902,644	-	-	-	-	-	1,842,333
Fiscal Year 2017	12/13/2016	73017-49	883,103	-	883,103	883,103	883,103	-	883,103
Fiscal Year 2016	8/3/2015	73016-57	889,893	-	889,893	889,893	889,893	-	889,893
Fiscal Year 2011	7/17/2012	72511-03	771,612	-	250,119	250,119	250,119	-	251,006
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	11/30/2015	72511-07	757,000	-	-	-	-	-	399,928
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	-
Fiscal Year 2011	7/18/2012	72510-10	133,250	-	-	-	-	-	79,636
Fiscal Year 2010	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-
Fiscal Year 2009	10/1/2010	72509-25	200,600	-	556	556	556	-	17,033
Fiscal Year 2009	10/1/2010	72509-26	64,750	-	-	9,460	9,460	9,460	25,937
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	-	-	-	-	138,968
Fiscal Year 2009	7/2/2009	72508-10	100,320	2,041	2,041	-	-	-	19,904
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/5/2010	72508-13	59,500	-	-	46,266	46,266	46,266	59,500
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	750
Fiscal Year 2008	9/19/2008	72508-19	100,320	4,729	5,220	491	491	-	84,658
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	30,820	30,820	30,820	-	40,968
Fiscal Year 2008	10/16/2007	73008-48	209,245	-	34,049	34,049	34,049	-	105,483
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	51,410
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Operating									
Fiscal Year 2018	7/6/2017	72018-22	105,430,024	-	105,430,024	105,430,024	105,430,024	-	105,430,024

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2018**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2017</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2018</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Demonstration \ Experimental:									
Fiscal Year 2018:									
Rt. 7 Technical	5/25/2018	71318-04	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2015:									
Intern Program	11/14/2007	71218-04	40,000	-	19,812	25,269	25,269	5,457	25,269
Intern Program	8/3/2015	71216-03	40,000	10,033	15,146	5,113	5,113	-	40,000
Fiscal Year 2014:									
NEPP Technical Assist.	9/2/2014	71315-03	400,000	9,000	42,312	47,144	47,144	13,832	135,144
Other:									
FY 2016 WMATA Reconciliation			-	-	(5,189,682)	(5,189,682)	(5,189,682)	-	(5,189,682)
FY 2017 WMATA Reconciliation			-	-	121,658	121,658	121,658	-	121,658
<b>Total State Assistance - NVTC</b>			<b>190,617,245</b>	<b>25,803</b>	<b>141,417,643</b>	<b>141,466,855</b>	<b>141,466,855</b>	<b>75,015</b>	<b>175,576,265</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)  
Year Ended June 30, 2018**

Grant	Contract Date*	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
<b>Virginia Railway Express</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2018	N/A	73018-67	\$ 309,017	\$ -	\$ -	\$ 58,051	\$ 58,051	\$ 58,051	\$ 58,052
Fiscal Year 2018	N/A	73018-68	747,691	-	-	264,102	264,102	264,102	264,103
Fiscal Year 2018	N/A	73018-69	1,700,000	-	-	28,760	28,760	28,760	28,760
Fiscal Year 2018	N/A	73018-74	16,162	-	-	16,162	16,162	16,162	16,162
Fiscal Year 2017	5/1/2018	50022	4,872,200	-	-	3,467,897	3,467,897	3,467,897	3,467,897
Fiscal Year 2016	2/5/2018	73016-90	-	-	12,116	16,000	16,000	3,884	16,000
Fiscal Year 2016	2/5/2018	73016-91	-	-	-	16,000	16,000	16,000	16,000
Fiscal Year 2017	2/5/2018	73017-76	16,800	-	-	16,800	16,800	16,800	16,800
Fiscal Year 2017	2/5/2018	73017-77	192,000	-	47,954	47,954	47,954	-	47,954
Fiscal Year 2017	N/A	73017-78	-	-	-	308,820	308,820	308,820	308,820
Fiscal Year 2017	2/27/2018	73017-79	311,538	-	-	311,536	311,536	311,536	311,536
Fiscal Year 2017	2/27/2018	73017--81	64,000	-	-	64,400	64,400	64,400	64,400
Fiscal Year 2017	10/14/2016	73017-82	497,005	-	-	-	-	-	-
Fiscal Year 2017	12/7/2016	73017-83	19,461	-	-	-	-	-	-
Fiscal Year 2017	N/A	73117-61	436,153	-	-	592,627	592,627	592,627	592,627
Fiscal Year 2017	N/A	73117-62	46,368	-	-	34,619	34,619	34,619	34,619
Fiscal Year 2016	9/16/2015	50012	12,045,657	562,159	628,779	2,253,355	2,253,355	2,186,735	5,651,501
Fiscal Year 2016	2/26/2016	50013	16,065,000	208,703	12,077,440	11,943,929	11,943,929	75,192	12,276,523
Fiscal Year 2016	2/2/2016	72516-07	68,973	31,150	56,892	30,385	30,385	4,643	61,535
Fiscal Year 2016	10/14/2016	73016-84	867,200	66,341	-	218,017	218,017	284,358	388,890
Fiscal Year 2016	10/19/2016	73016-85	1,320,960	242,585	241,755	29,605	29,605	30,435	272,190
Fiscal Year 2016	10/19/2016	73016-86	304,000	-	117,970	182,374	182,374	64,404	182,374
Fiscal Year 2016	2/15/2018	73016-87	-	-	-	3,994	3,994	3,994	3,994
Fiscal Year 2016	2/5/2018	73016-88	120,000	-	-	34,492	34,492	34,492	34,492
Fiscal Year 2016	10/14/2016	73016-92	309,017	96,456	96,456	-	-	-	309,017
Fiscal Year 2016	10/19/2016	73016-93	790,564	790,564	790,564	-	-	-	790,564
Fiscal Year 2015	8/3/2015	50002	4,539,850	285,274	285,274	-	-	-	4,539,850
Fiscal Year 2015	8/3/2015	50003	4,634,540	85,665	709,166	1,084,131	1,084,131	460,630	3,857,708
Fiscal Year 2015	10/14/2016	73015-93	320,000	215,537	173,940	76,643	76,643	118,240	292,180
Fiscal Year 2015	2/29/2016	73015-94	1,705,189	1,325,702	1,402,393	83,083	83,083	6,392	1,463,964
Fiscal Year 2015	2/8/2016	73015-95	840,000	155,277	157,082	93,946	93,946	92,141	325,301
Fiscal Year 2015	10/14/2016	73015-96	64,000	-	-	-	-	-	-
Fiscal Year 2015	10/19/2016	73015-97	96,981	96,981	96,981	-	-	-	96,981
Fiscal Year 2015	10/14/2016	73015-98	879,572	1,868	9,100	13,989	13,989	6,757	307,073
Fiscal Year 2015	10/14/2016	73015-99	309,017	-	-	-	-	-	309,017

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)  
Year Ended June 30, 2018**

Grant	Contract Date*	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
<b>Virginia Railway Express (continued)</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2014	2/2/2016	72514-07	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2014	10/13/2016	73014-70	55,000	6,518	6,518	-	-	-	55,000
Fiscal Year 2014	10/14/2016	73014-76	539,000	35,122	25,822	99,867	99,867	109,167	539,000
Fiscal Year 2013	1/6/2014	72513-12	400,000	29,338	43,967	27,777	27,777	13,148	64,113
Fiscal Year 2013	4/24/2013	73113-46	11,391,184	202,224	209,731	11,773	11,773	4,266	9,967,906
Fiscal Year 2012	1/6/2014	73012-79	108,000	89,195	108,000	18,805	18,805	-	108,000
Fiscal Year 2011	1/6/2014	72510-67	300,000	-	250,369	255,251	255,251	4,882	255,251
Fiscal Year 2011	7/22/2011	73111-20	135,899	41,114	41,114	-	-	-	107,192
Fiscal Year 2010	1/6/2014	72510-68	200,000	-	-	-	-	-	-
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	50,000	50,000	50,000	-	50,000
Fiscal Year 2010	1/21/2011	72510-75	821,902	-	-	36,098	36,098	36,098	219,149
Fiscal Year 2009	3/23/2016	73109-51	418,540	333,426	360,798	27,372	27,372	-	418,540
Operating:									
Fiscal Year 2018	8/15/2017	72018-27	9,616,202	-	9,616,202	9,616,202	9,616,202	-	9,616,202
Rail Enhancement Fund:									
Gainesville-Haymarket	5/10/2013	76509-02	2,785,714	90,113	90,113	576,872	576,872	576,872	1,989,105
Potomac Shores	N/A	76517-01	2,821,600	-	-	342,213	342,213	342,213	342,213
Third Track Spotsylvania	5/10/2013	76513-11	13,856,292	184,319	34,112	21,912	21,912	172,119	13,348,117
Eligible expenditures accrued, not yet assigned to specific grants			N/A	2,233,938	-	(2,220,217)	(2,220,217)	13,719	(2,220,217)
<b>Total State Assistance - VRE</b>			<u>98,808,248</u>	<u>7,409,569</u>	<u>27,740,608</u>	<u>30,155,596</u>	<u>30,155,596</u>	<u>9,824,555</u>	<u>71,266,455</u>
<b>Total State Assistance - NVTC and VRE</b>			<u>\$ 289,425,493</u>	<u>\$ 7,435,372</u>	<u>\$ 169,158,251</u>	<u>\$ 171,622,451</u>	<u>\$ 171,622,451</u>	<u>\$ 9,899,570</u>	<u>\$ 246,842,720</u>

\*Contract date of "N/A" indicates grant was not executed as of June 30, 2018.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2018**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
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**Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)**

**Virginia Department of Rail and Public Transportation (DRPT)**

Capital:

Fiscal Year 2018:

Arlington County	9/19/2017	73018-50	\$ 1,979,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arlington County	9/19/2017	73018-51	504,560	-	-	-	-	-	-
Arlington County	9/19/2017	73018-52	2,090,507	-	-	2,090,507	2,090,507	2,090,507	2,090,507
Arlington County	9/19/2017	73018-53	974,212	-	-	-	-	-	-
Arlington County	9/19/2017	73018-54	979,880	-	-	32,407	32,407	32,407	32,407
City of Alexandria	11/29/2017	73018-55	2,652,000	-	-	-	-	-	-
City of Alexandria	11/29/2017	73018-56	42,500	-	-	-	-	-	-
City of Fairfax	10/4/2017	73018-58	3,910	-	3,910	3,910	3,910	-	3,910
Fairfax County	12/14/2017	73018-60	8,500,000	-	-	-	-	-	-
Fairfax County	12/14/2017	73018-61	4,760,000	-	-	-	-	-	-
Fairfax County	12/14/2017	73018-62	21,250	-	-	-	-	-	-
Fairfax County	12/14/2017	73018-63	76,500	-	21,533	21,533	21,533	-	21,533
Fairfax County	12/14/2017	73018-64	2,305,200	-	42,221	42,221	42,221	-	42,221
Fairfax County	12/14/2017	73018-65	748,000	-	-	-	-	-	-
Fairfax County	12/14/2017	73018-66	4,000,000	-	-	-	-	-	-

Fiscal Year 2017:

Arlington County	10/26/2016	73017-51	228,100	-	134,165	151,034	151,034	16,869	151,034
Arlington County	10/26/2016	73017-52	547,400	-	264,019	377,693	377,693	113,674	488,913
Arlington County	10/26/2016	73017-53	174,250	-	-	-	-	-	-
Arlington County	10/26/2016	73017-54	1,387,200	-	138,117	290,271	290,271	152,154	313,885
Arlington County	10/26/2016	73017-55	12,750	-	218	218	218	-	218
Arlington County	10/26/2016	73017-56	8,500	-	7,610	8,500	8,500	890	8,500
Arlington County	10/26/2016	73017-57	172,380	-	445	445	445	-	445
Arlington County	10/26/2016	73017-58	2,210,000	-	195,268	195,268	195,268	-	521,344
City of Alexandria	10/14/2016	73017-60	2,652,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-61	4,182,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-62	612,000	-	42,133	42,133	42,133	-	42,133
Fairfax County	10/14/2016	73017-63	680,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-64	124,100	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-65	306,000	-	284,867	284,867	284,867	-	284,867
Fairfax County	10/14/2016	73017-66	76,500	-	39,440	39,440	39,440	-	76,500
Fairfax County	10/14/2016	73017-67	12,750	-	12,750	12,750	12,750	-	12,750
Fairfax County	10/14/2016	73017-68	272,000	5,919	5,919	-	-	-	272,000



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)**

Year Ended June 30, 2018

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
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**Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)**

**Virginia Department of Rail and Public Transportation (DRPT) (continued)**

Capital (continued):

Fairfax County	10/14/2016	73017-69	\$ 340,000	\$ 37,359	\$ 209,571	\$ 172,212	\$ 172,212	\$ -	\$ 209,571
Fairfax County	10/14/2016	73017-70	2,176,000	-	822,091	822,091	822,091	-	2,124,186
Fairfax County	10/14/2016	73017-72	680,000	-	343,582	343,582	343,582	-	343,582
City of Alexandria	6/20/2017	73117-58	204,000	-	60,480	60,480	60,480	-	60,480

Fiscal Year 2016:

Arlington County	10/19/2015	73016-59	155,720	-	19,737	19,737	19,737	-	155,720
Arlington County	10/19/2015	73016-60	39,950	2,086	17,121	15,035	15,035	-	30,443
Arlington County	10/19/2015	73016-61	1,734,000	13,748	13,889	141	141	-	17,675
Arlington County	10/19/2015	73016-62	46,410	-	11,353	24,529	24,529	13,176	46,410
Arlington County	10/19/2015	73016-63	811,185	291,462	811,185	519,723	519,723	-	811,185
Arlington County	10/19/2015	73016-64	170,000	-	3,183	3,183	3,183	-	3,394
Arlington County	10/19/2015	73016-67	51,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-68	1,836,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-70	816,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-72	340,000	168,725	168,725	-	-	-	340,000
Fairfax County	9/24/2015	73016-73	1,870,000	105,849	220,637	114,788	114,788	-	561,448
Fairfax County	9/24/2015	73016-74	2,040,000	-	855,270	855,270	855,270	-	855,270
Fairfax County	9/24/2015	73016-75	408,000	-	151,111	151,111	151,111	-	151,111
Fairfax County	9/24/2015	73016-76	1,870,000	44,568	321,795	277,227	277,227	-	758,941
Fairfax County	9/24/2015	73016-77	850,000	-	30,277	30,277	30,277	-	224,534
Fairfax County	9/24/2015	73016-79	2,074,000	-	100,806	100,806	100,806	-	1,395,310
Fairfax County	9/24/2015	73016-81	42,500	-	31,738	31,738	31,738	-	31,738
Fairfax County	9/24/2015	73016-82	357,000	-	-	-	-	-	-
Fairfax County	4/22/2016	73116-62	3,400,000	-	3,092,235	3,092,235	3,092,235	-	3,092,235

Fiscal Year 2015:

Arlington County	9/12/2014	73015-56	538,220	1,610	6,990	19,236	19,236	13,856	26,748
Arlington County	9/12/2014	73015-57	17,000	-	3,902	3,902	3,902	-	7,531
Arlington County	9/12/2014	73015-59	44,880	-	44,880	44,880	44,880	-	44,880
City of Alexandria	9/2/2014	73015-68	170,000	170,000	170,000	-	-	-	170,000
City of Alexandria	9/2/2014	73015-69	2,380,000	-	564,506	564,506	564,506	-	2,380,000
Fairfax County	10/7/2014	73015-81	68,000	5,056	5,056	-	-	-	68,000
Fairfax County	10/7/2014	73015-83	850,000	-	42,614	42,614	42,614	-	222,599
Fairfax County	10/7/2014	73015-88	2,040,000	-	1,066,469	1,066,469	1,066,469	-	2,040,000

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)**

Year Ended June 30, 2018

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Deferred) Revenue 6/30/2017	Cash Received	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2018	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2015 (continued):									
Fairfax County	10/7/2014	73015-89	\$ 340,000	\$ -	\$ 38,733	\$ 38,733	\$ 38,733	\$ -	\$ 188,879
City of Falls Church	11/21/2014	73015-73	239,700	526	10,980	10,454	10,454	-	180,647
Fiscal Year 2014:									
Arlington County	1/8/2014	73014-47	357,500	40,373	67,333	73,148	73,148	46,188	324,905
Fairfax County	4/23/2014	73014-63	2,200,000	-	312,123	312,123	312,123	-	2,194,125
Fairfax County	2/20/2014	73014-69	1,925,000	-	347,122	347,122	347,122	-	1,811,526
Operating:									
Arlington County	9/19/2017	72018-23	2,924,813	-	2,924,813	2,924,813	2,924,813	-	2,924,813
City of Alexandria	11/29/2017	72018-24	3,587,887	-	3,587,887	3,587,887	3,587,887	-	3,587,887
City of Fairfax	10/4/2017	72018-25	777,670	-	777,670	777,670	777,670	-	777,670
Fairfax County	12/14/2017	72018-26	15,430,305	-	15,430,305	15,430,305	15,430,305	-	15,430,305
<b>Total State Assistance - Jurisdiction Trust Fund</b>			<b>\$ 99,498,329</b>	<b>\$ 887,281</b>	<b>\$ 33,878,784</b>	<b>\$ 35,471,224</b>	<b>\$ 35,471,224</b>	<b>\$ 2,479,721</b>	<b>\$ 47,956,915</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2018**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/17</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/18</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission</u></b>									
<b>Federal Transit Administration</b>									
	King Street Access Improvements	20.507	VA 95-0082	\$ 4,144,941	\$ -	\$ -	\$ -	\$ -	\$ 1,064,971
	Potomac Yard Transitway	20.507	VA 95-0106	3,028,000	-	-	-	-	1,599,712
	Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	-	-	-	182,820
	Alexandria Potomac Yard Busway	20.500	VA 04-0024	997,710	-	-	-	-	783,252
	Falls Church Intermodal	20.500	VA 04-0029	1,668,154	18,914	20,878	1,964	1,964	711,861
	Alexandria Transit Service Improvements	20.500	VA 04-0033	1,761,000	-	275,838	275,838	275,838	337,243
	Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	2,224	2,224	2,224	68,128
	Alexandria VanDorn/Beauregard AA/EA	20.522	VA 39-0004	800,000	-	212,276	212,276	212,276	620,516
	Alexandria BRT Potomac Yards-NWST	20.500	VA 03-0117	1,490,000	-	-	-	-	1,288,607
	<b>Total Federal Assistance - NVTC</b>			<u>\$ 16,972,708</u>	<u>\$ 18,914</u>	<u>\$ 511,216</u>	<u>\$ 492,302</u>	<u>\$ 492,302</u>	<u>\$ 6,657,110</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**COMPLIANCE SECTION**

**YEAR ENDED JUNE 30, 2018**



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commission Board Members  
Northern Virginia Transportation Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 28, 2018